

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Gerrish	County Roscommon
Fiscal Year End 3/31/06	Opinion Date 7/31/06	Date Audit Report Submitted to State 9/29/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.		Telephone Number 989-563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Sign 		Printed Name James M. Anderson, CPA		License Number 1101017419

Digitally signed by James M. Anderson, CPA
DN: cn=James M. Anderson, C=US, o=James M. Anderson, P
C, email=jma@m33access.com
Date: 2006.09.29 16:27:01 -0400

**TOWNSHIP OF GERRISH
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2006**

TOWNSHIP OFFICIALS

Supervisor

Greg Gaylor

Clerk

Norma Boyle

Treasurer

Rebecca Ragan

TRUSTEES

Jim Lippert

James Ostling

TOWNSHIP OF GERRISH

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James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

July 31, 2006

Township Board
Gerrish Township
Roscommon County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Gerrish, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Gerrish, as of March 31, 2006, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 31, 2006, on my consideration of the Township of Gerrish's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

MEMBER MACPA and AICPA

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Township Board
Gerrish Township
Roscommon County, Michigan

The management's discussion and analysis on pages 3-9 and budgetary comparison information on pages 29-36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Gerrish's basic financial statements. The introductory section, combining and individual nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in dark ink, appearing to read 'J M Anderson', with a stylized flourish at the end.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

TOWNSHIP OF GERRISH MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Gerrish Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$3,886,590 (*net assets*). Of this amount, \$2,700,384 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$232,996.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$509,332, a decrease of \$9,615 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$509,332 or 87% of total general expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and cultural. The Township does not have any business-type activities as of and for the year ended March 31, 2006.

The Government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains six governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, Police, Sanitation, Cemetery and Building Authority Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12-13 and 15-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-28 of this report.

Government-wide Financial Analysis

A portion of the Township's net assets (31%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental Activities			
	2006	2005	Variance	%
Current and Other Assets	\$2,722,956	\$2,693,354	\$ 29,602	1.10
Capital Assets, Net	<u>1,546,206</u>	<u>1,348,358</u>	<u>197,848</u>	<u>14.67</u>
Total Assets	4,269,162	4,041,712	227,450	5.63
Current Liabilities	37,572	28,118	9,454	33.62
Long-Term Liabilities	<u>345,000</u>	<u>360,000</u>	<u>(15,000)</u>	<u>(4.17)</u>
Total Liabilities	382,572	388,118	(5,546)	(1.43)
Net Assets				
Invested in Capital Assets, Net				
of Related Debt	1,186,206	973,358	212,848	21.87
Unrestricted	<u>2,700,384</u>	<u>2,680,236</u>	<u>20,148</u>	<u>0.75</u>
Total Net Assets	<u><u>\$3,886,590</u></u>	<u><u>\$3,653,594</u></u>	<u><u>\$ 232,996</u></u>	<u><u>6.38</u></u>

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$232,996 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$20,148 or 1%, during fiscal year 2006.

Township's Changes in Net Assets

	Governmental Activities		Variance	%
	<u>2006</u>	<u>2005</u>		
Revenue:				
Program Revenue:				
Charges for services	\$ 177,921	\$ 190,810	\$ (12,889)	(6.75)
Capital Grants and Contributions	6,409	26,550	(20,141)	(75.86)
General Revenue:				
Property Taxes	1,571,163	1,549,677	21,486	1.39
State-Shared Revenues	218,482	217,951	531	0.24
Interest	71,938	35,987	35,951	99.89
Other	24,944	16,619	8,325	50.09
Total Revenue	<u>2,070,857</u>	<u>2,037,594</u>	<u>33,263</u>	<u>1.63</u>
Expenses:				
General Government	403,425	396,537	6,888	1.74
Public Safety	1,100,735	992,121	108,614	10.95
Public Works	299,205	272,195	27,010	9.92
Recreation and Culture	15,452	15,831	(379)	(2.39)
Other	19,044	20,094	(1,050)	(5.22)
Total Expenses	<u>1,837,861</u>	<u>1,696,778</u>	<u>141,083</u>	<u>8.31</u>
Increase in Net Assets	232,996	340,816	(107,820)	(31.64)
Net Assets, Beginning of Year	<u>3,653,594</u>	<u>3,312,778</u>	<u>340,816</u>	<u>10.29</u>
Net Assets, End of Year	<u><u>\$ 3,886,590</u></u>	<u><u>\$ 3,653,594</u></u>	<u><u>\$ 232,996</u></u>	<u><u>6.38</u></u>

Governmental Activities

The Township's total governmental revenues increased by \$33,263 from last fiscal year. This was primarily attributed to additional revenue from property taxes. Expenses increased by \$141,083. This is primarily from the increased costs in the Fire and Police Departments.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,700,384, an increase of \$20,148 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 87% of total general fund expenditures.

The fund balance of the General Fund decreased by \$9,615 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire, Police, Sanitation, Cemetery and Building Authority Funds.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$1,546,206 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$342,655 for the fiscal year.

Township's Capital Assets (net of depreciation)

	2006	2005	Total Percentage Change
Revenue:			
Land	\$ 10,000	\$ 10,000	0.00
Land Improvements	17,894	-0-	100.00
Buildings and Improvements	1,089,620	855,176	27.41
Machinery and Equipment	<u>428,692</u>	<u>483,182</u>	<u>11.28</u>
Total Revenue	<u><u>\$ 1,546,206</u></u>	<u><u>\$ 1,348,358</u></u>	<u><u>14.67</u></u>

Additional information on the Township's capital assets can be found in note F on page 26 of this report.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

.Police Department

- . Working on the Purchase of In Car Video Camera's
- . New Radar Units were purchased
- . New AED Units were acquired
- . Tahoe was reconditioned and repainted to match
- . Mileage was lowered
- . May still purchase bicycles for summer of 2007
- . Chief Biggar retired and Brian Hill appointed Chief
- . Building is fully funded for payoff in 2010

.Fire Department

- . Working on ISO reduction in Fire Class Rating
- . New purchase of Ambulance by the end of 2006
- . Received donation from residents estate and purchased an infrared camera with the monies
- . Purchasing needed new equipment for ISO test
- . Restructuring of the Department is ongoing - substantial changes in management

.Cemetery

- . Paving was completed
- . New Toro Mower was purchased for mowing the cemetery as well as the balance of the township

.Parks and Recreation

- . A vehicle was acquired through a Police Department impound and is being used at the park
- . The ice rink will actually happen this winter as long as mother nature cooperates
- . Continued work on securing a grant for the purchase of the Higgins Lake Boat Yard through the DNR Trust Fund
- . Exploration of possibilities at the Township Park is ongoing, attempting to get Carlos & Chamberlain turned over to the township, which would give us 455' of frontage. Expanding the parking lot as well.

.Sanitation

- . Have notified Higgins Twp that we will no longer participate in the joint compost site and recycling center in the village, we will have our own behind the police department. Work will be started in August of 2006.

TOWNSHIP OF GERRISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

.Township

- . Planning Commission is finalizing the Master Plan and will begin work soon on the Ordinances
- . Internet WiFi was installed and is getting use by the public
- . Looking at upgrading our phone system and interconnecting the police dept & fire dept as well as adding an auto attendant and voice mail
- . New assessing assistant was hired to work up to 20 hours per week with the assessor to get the dept caught up
- . New grant writer position was created to assist the township in locating and writing grants for items that are needed.
- . Township maintained roads are in disrepair - pending passage of road millage

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Gerrish Township
2997 E. Higgins Lake Dr.
Roscommon, MI 48653**

TOWNSHIP OF GERRISH
STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 1,096,979
Receivables:	
Accounts Receivable	7,498
Interest	12,826
Taxes and Assessments	1,570,719
Other Governmental Units	<u>34,934</u>
Total Current Assets	2,722,956
Non-Current Assets:	
Capital Assets - Net	<u>1,546,206</u>
Total Assets	<u>4,269,162</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	22,572
Current Portion of Long-Term Debt	<u>15,000</u>
Total Current Liabilities	<u>37,572</u>
Long-Term Liabilities:	
Bonds Payable	<u>345,000</u>
Total Liabilities	<u>382,572</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,186,206
Unrestricted	<u>2,700,384</u>
Total Net Assets	<u><u>\$ 3,886,590</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General	\$ (403,425)	\$ 18,762	\$ -0-	\$ -0-	\$ (384,663)
Public Safety	(1,100,735)	159,159	6,409	-0-	(935,167)
Public Works	(299,205)	-0-	-0-	-0-	(299,205)
Recreation and Cultural	(15,452)	-0-	-0-	-0-	(15,452)
Interest on Long-Term Debt	(19,044)	-0-	-0-	-0-	(19,044)
Total Governmental Activities	<u><u>\$(1,837,861)</u></u>	<u><u>\$ 177,921</u></u>	<u><u>\$ 6,409</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ (1,653,531)</u></u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					240,326
Public Safety					1,051,376
Public Works					279,461
State Shared Revenue not restricted to specific purposes					218,482
Miscellaneous					24,944
Investment Earnings					<u>71,938</u>
Total General Revenues					<u>1,886,527</u>
Change in Net Assets					232,996
Net Assets - April 1					<u>3,653,594</u>
Net Assets - March 31					<u><u>\$ 3,886,590</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2006

ASSETS	<u>General</u>	<u>Fire</u>
Cash and investments	\$ 202,487	\$ 260,993
Taxes receivable	240,090	525,584
Due from other Governmental Units	34,934	-0-
Accounts receivable	-0-	7,498
Interest receivable	10,547	988
Due from other funds	<u>29,102</u>	<u>-0-</u>
Total Assets	<u>\$ 517,160</u>	<u>\$ 795,063</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 7,828	\$ 13,203
Due to other funds	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>7,828</u>	<u>13,203</u>
Fund Equity:		
Fund balance:		
Undesignated	<u>509,332</u>	<u>781,860</u>
Total Fund Equity	<u>509,332</u>	<u>781,860</u>
Total Liabilities and Fund Equity	<u>\$ 517,160</u>	<u>\$ 795,063</u>

The accompanying notes are an integral part of these financial statements.

<u>Police</u>	<u>Sanitation</u>	<u>Other Funds</u>	<u>Totals</u>
\$ 120,724	\$ 207,389	\$ 305,386	\$ 1,096,979
525,584	279,461	-0-	1,570,719
-0-	-0-	-0-	34,934
-0-	-0-	-0-	7,498
515	776	-0-	12,826
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>29,102</u>
<u>\$ 646,823</u>	<u>\$ 487,626</u>	<u>\$ 305,386</u>	<u>\$ 2,752,058</u>

\$ 1,257	\$ 284	\$ -0-	\$ 22,572
<u>14,333</u>	<u>14,769</u>	<u>-0-</u>	<u>29,102</u>
<u>15,590</u>	<u>15,053</u>	<u>-0-</u>	<u>51,674</u>

<u>631,233</u>	<u>472,573</u>	<u>305,386</u>	<u>2,700,384</u>
<u>631,233</u>	<u>472,573</u>	<u>305,386</u>	<u>2,700,384</u>
<u>\$ 646,823</u>	<u>\$ 487,626</u>	<u>\$ 305,386</u>	<u>\$ 2,752,058</u>

TOWNSHIP OF GERRISH
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MARCH 31, 2006

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES	\$ 2,700,384
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds. This represents the amounts by which capital assets used in governmental funds exceeds accumulated deprecia- tion.	1,546,206
Long-term liabilities, including notes/bonds payable and accrued liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(360,000)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 3,886,590</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2006

	General	Fire	Police
Revenues:			
Taxes and assessments	\$ 240,326	\$ 525,687	\$ 525,689
Intergovernmental	218,482	5,060	1,349
Charges for services	9,857	93,246	1,239
Licenses and permits	64,674	-0-	-0-
Interest	23,044	15,681	10,154
Other	<u>16,393</u>	<u>6,449</u>	<u>2,102</u>
Total Revenues	<u>572,776</u>	<u>646,123</u>	<u>540,533</u>
Expenditures:			
General government	375,499	-0-	-0-
Building administration	86,063	-0-	-0-
Law enforcement	-0-	-0-	475,913
Fire	-0-	743,396	-0-
Sanitation	-0-	-0-	-0-
Road projects	52,825	-0-	-0-
Cemetery	-0-	-0-	-0-
Recreation and cultural	12,910	-0-	-0-
Debt service:			
Principal	-0-	-0-	-0-
Interest and fees	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>527,297</u>	<u>743,396</u>	<u>475,913</u>
Excess:			
Revenue over (under) expenditures	<u>45,479</u>	<u>(97,273)</u>	<u>64,620</u>
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers (out)	<u>(55,094)</u>	<u>-0-</u>	<u>(46,341)</u>
Total Other Financing Sources (Uses)	<u>(55,094)</u>	<u>-0-</u>	<u>(46,341)</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other Uses	(9,615)	(97,273)	18,279
Fund Balance - April 1	<u>518,947</u>	<u>879,133</u>	<u>612,954</u>
Fund Balance - March 31	<u><u>\$ 509,332</u></u>	<u><u>\$ 781,860</u></u>	<u><u>\$ 631,233</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Sanitation</u>	<u>Other Funds</u>	<u>Totals</u>
\$ 279,461	\$ -0-	\$ 1,571,163
-0-	-0-	224,891
-0-	8,905	113,247
-0-	-0-	64,674
10,498	12,561	71,938
-0-	-0-	24,944
<u>289,959</u>	<u>21,466</u>	<u>2,070,857</u>
-0-	-0-	375,499
-0-	-0-	86,063
-0-	-0-	475,913
-0-	-0-	743,396
246,380	-0-	246,380
-0-	-0-	52,825
-0-	23,679	23,679
-0-	-0-	12,910
-0-	15,000	15,000
-0-	19,044	19,044
<u>246,380</u>	<u>57,723</u>	<u>2,050,709</u>
<u>43,579</u>	<u>(36,257)</u>	<u>20,148</u>
-0-	101,435	101,435
-0-	-0-	(101,435)
<u>-0-</u>	<u>101,435</u>	<u>-0-</u>
43,579	65,178	20,148
<u>428,994</u>	<u>240,208</u>	<u>2,680,236</u>
<u>\$ 472,573</u>	<u>\$ 305,386</u>	<u>\$ 2,700,384</u>

TOWNSHIP OF GERRISH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 20,148

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds do not report long-term debt;
therefore, debt service payments are recorded as
expenditures. However in government-wide financial
statements, long-term debt is recorded as a
liability and payments are applied against the
outstanding balances. 15,000

Governmental funds report capital outlays as
expenditures. However in the statement of
activities, the cost of these assets are capitalized
and depreciation charged to expense over their use-
ful life. 197,848

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 232,996

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2006

ASSETS	
Cash and Investments	<u>\$1,488,129</u>
LIABILITIES	
Undistributed Collections	<u>1,488,129</u>
Total Liabilities	<u>1,488,129</u>
NET ASSETS	
Net Assets	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2006

REVENUES	
Property Tax Collections	\$ 6,621,049
Interest Collections	10,834
Other	<u>7,042</u>
Total Revenues	<u>6,638,925</u>
EXPENDITURES	
Property Taxes	6,621,049
Other	<u>17,876</u>
Total Expenditures	<u>6,638,925</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

NOTE A: ENTITY

The Township of Gerrish is a general law township of the state of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including law enforcement, fire and ambulance services, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Gerrish (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Gerrish conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* is used to account for all financial activity related to the Township's fire and ambulance service. The main source of revenue is derived from property taxes and ambulance fees.

The *Police Fund* is used to account for activity related to the Township's law enforcement services. The major source of revenue is from property taxes.

The *Sanitation Fund* is used to account for the Township's refuse pick-up services. The primary source of revenue is derived from property tax assessments.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township reports, in total, the following non-major governmental funds:

Cemetery Fund
Building Authority

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2005, are recorded as revenue in the current year. The Township's taxable value for the 2005 tax year totaled \$237,418,303.

The tax rates for the year ended March 31, 2006, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	1.0118 mills per \$1,000
Fire	Special Assessment
Ambulance	Special Assessment
Sanitation	Special Assessment

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE C - CASH AND INVESTMENTS

The captions on the balance sheets related to deposits and investments are as follows:

	<u>Cash and Deposits</u>	<u>Investments</u>	<u>Total</u>
Government Activities	\$ 281,865	\$ 815,114	\$ 1,096,979
Agency Funds	-0-	1,488,129	1,488,129
Total	<u>\$ 281,865</u>	<u>\$ 2,303,243</u>	<u>\$ 2,585,108</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$281,865 and the bank balance was \$296,864. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 54% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for Gerrish Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 145,983	\$ 161,182
Uninsured and Uncollateralized	135,882	135,682
Total Deposits	<u>\$ 281,865</u>	<u>\$ 296,864</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Township has adopted a policy that indicates that the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Investments - Act 217, PA 1982, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

All of the Township's investments totaling \$2,303,243 were in the Bank One Trust which are made up of U.S. Treasury, Agencies, and instrumentalities, commercial paper, banker's acceptances and repurchase agreements.

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of ambulance billings of \$7,489.

NOTE E - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$34,934.

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	<u>\$ 10,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 10,000</u>
Total capital Assets, not being depreciated	<u>10,000</u>	<u>-0-</u>	<u>-0-</u>	<u>10,000</u>
Capital assets, being depreciated:				
Land improvements	-0-	18,275	-0-	18,275
Building and improvements	1,754,896	278,775	-0-	2,033,671
Machinery and equipment	<u>1,047,489</u>	<u>45,605</u>	<u>-0-</u>	<u>1,093,094</u>
Total capital assets, being depreciated	<u>2,802,385</u>	<u>342,655</u>	<u>-0-</u>	<u>3,145,040</u>
Less accumulated depreciation for:				
Land improvements	-0-	381	-0-	381
Buildings and improvements	899,720	44,331	-0-	944,051
Machinery and equipment	<u>564,307</u>	<u>100,095</u>	<u>-0-</u>	<u>664,402</u>
Total accumulated depreciation	<u>1,464,027</u>	<u>144,807</u>	<u>-0-</u>	<u>1,608,834</u>
Net capital assets, being depreciated	<u>1,338,358</u>	<u>197,848</u>	<u>-0-</u>	<u>1,536,206</u>
Net governmental activities capital assets	<u>\$ 1,348,358</u>	<u>\$ 197,848</u>	<u>\$ -0-</u>	<u>\$ 1,546,206</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 26,109
Public safety	116,156
Recreation and cultural	<u>2,542</u>
Total depreciation expense - governmental activities	<u>\$ 144,807</u>

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE G - PENSION PLAN

The Township has a pension plan covering substantially all of its elected and appointed officials and employees. The plan is maintained with the Variable Annuity Life Insurance Company. Total pension expense for the year was \$42,226. The plan provides fully insured pension credits and each year's contributions sufficient to fully fund the benefits earned during the year. Payments to the plan have been used to purchase pension benefits, so there are no separate plan assets.

NOTE H - LONG-TERM DEBT

The following is a summary of the debt outstanding of the Township as of March 31, 2006:

	<u>No. of Issues</u>	<u>Interest Rate %</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1998 Building Authority Bonds	1	5.1 to 7.0%	2018	<u>\$ 360,000</u>

CHANGES IN LONG-TERM DEBT

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>	<u>Due Within one year</u>
General Long-term Debt	<u>\$ 375,000</u>	<u>\$ -0-</u>	<u>\$ 15,000</u>	<u>\$ 360,000</u>	<u>\$ 15,000</u>

ANNUAL DEBT SERVICE REQUIREMENTS:

<u>Year Ending March 31,</u>	
2007	\$ 32,722
2008	36,765
2009	35,835
2010	34,885
2011	38,793
2012-2018	<u>318,015</u>
	497,015
Less Interest	<u>(137,015)</u>
Total Principal Outstanding	<u>\$ 360,000</u>

TOWNSHIP OF GERRISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2006

NOTE H - LONG-TERM DEBT (CONTINUED)

1998 Building Authority Bonds

On February 10, 1998, the Township formed a building authority to provide for the acquisition and construction of certain public buildings, parking lots, or other sites used for the Township. During the year ended March 31, 2000, the Township Building Authority issued \$440,000 General Obligation Limited Tax bonds for the construction of a law enforcement facility.

NOTE I - PARTIAL SELF-INSURANCE

The Township is a member of the Michigan Municipal Risk Management Authority. As a member of the Authority, the Township is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 2,642,156	100
Liability	5,000,000	-0-
Errors and Omission	5,000,000	-0-
Law Enforcement	5,000,000	-0-
Automobiles	5,000,000	500
Crime	10,000	-0-
Inland Marine	209,800	250
Workmen's Compensation	STATUTORY	-0-

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 227,464	\$ 227,464	\$ 240,326	\$ 12,862
Total Taxes and Assessments	<u>227,464</u>	<u>227,464</u>	<u>240,326</u>	<u>12,862</u>
Intergovernmental:				
State shared revenues	211,206	211,206	209,180	(2,026)
State swamp tax	5,970	5,970	5,959	(11)
Metro-Act	<u>2,965</u>	<u>2,965</u>	<u>3,343</u>	<u>378</u>
Total Intergovernmental	<u>220,141</u>	<u>220,141</u>	<u>218,482</u>	<u>(1,659)</u>
Charges for Services:				
Fees	8,900	8,900	8,882	(18)
Rent	<u>500</u>	<u>500</u>	<u>975</u>	<u>475</u>
Total Charges for Services	<u>9,400</u>	<u>9,400</u>	<u>9,857</u>	<u>457</u>
Licenses and Permits	<u>70,000</u>	<u>70,000</u>	<u>64,674</u>	<u>(5,326)</u>
Interest	<u>4,200</u>	<u>4,200</u>	<u>23,044</u>	<u>18,844</u>
Other:				
Reimbursements	13,700	13,700	12,047	(1,653)
Fines and forfeitures	2,000	2,000	4,269	2,269
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>77</u>	<u>77</u>
Total Other	<u>15,700</u>	<u>15,700</u>	<u>16,393</u>	<u>693</u>
Total Revenue	<u>546,905</u>	<u>546,905</u>	<u>572,776</u>	<u>25,871</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government				
Township Board:				
Salaries-board	\$ 11,331	\$ 7,954	\$ 7,754	\$ 200
Wages-receptionist	24,461	26,449	26,068	381
Payroll taxes	16,600	16,600	11,647	4,953
Legal fees	15,000	14,815	14,881	(66)
Professional services	7,400	8,720	8,616	104
Retirement	15,130	15,180	15,177	3
Repairs and maintenance	2,000	2,065	2,064	1
Health Insurance	8,325	11,826	9,772	2,054
Printing and publishing	1,250	1,250	870	380
Postage	6,000	6,000	4,581	1,419
Office supplies	1,250	4,484	4,228	256
Miscellaneous	39,200	33,130	4,341	28,789
Street signs	750	1,850	1,701	149
Equipment	<u>1,000</u>	<u>3,236</u>	<u>2,090</u>	<u>1,146</u>
Total Township Board	<u>149,697</u>	<u>153,559</u>	<u>113,790</u>	<u>39,769</u>
Township Supervisor:				
Salary	22,585	22,585	22,585	-0-
Wages - Deputy	5,000	5,000	395	4,605
Fringe benefits	85	85	83	2
Office supplies	700	875	468	407
Repairs and maintenance	250	250	120	130
Miscellaneous	1,600	1,425	684	741
Equipment	<u>1,500</u>	<u>1,500</u>	<u>-0-</u>	<u>1,500</u>
Total Township Supervisor	<u>31,720</u>	<u>31,720</u>	<u>24,335</u>	<u>7,385</u>
Township Assessor:				
Salary	34,070	36,428	35,381	1,047
Field help	500	500	-0-	500
Fringe benefits	10,029	9,051	7,860	1,191
Notices and postage	2,250	2,250	2,043	207
Mileage	800	800	130	670
Office supplies	2,000	2,000	738	1,262
Repairs and maintenance	2,000	2,000	1,212	788
Miscellaneous	700	700	189	511
Equipment	<u>4,000</u>	<u>4,000</u>	<u>1,497</u>	<u>2,503</u>
Total Township Assessor	<u>56,349</u>	<u>57,729</u>	<u>49,050</u>	<u>8,679</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Election Board:				
Wages	\$ 1,000	\$ 1,000	\$ -0-	\$ 1,000
Supplies	1,600	1,600	-0-	1,600
Printing and Publishing	100	100	-0-	100
Repairs and maintenance	400	400	389	11
Miscellaneous	<u>300</u>	<u>300</u>	<u>-0-</u>	<u>300</u>
Total Election Board	<u>3,400</u>	<u>3,400</u>	<u>389</u>	<u>3,011</u>
Township Clerk:				
Salary - clerk	30,709	30,709	30,709	-0-
Salary - deputy	5,000	5,000	2,526	2,474
Fringe benefits	85	85	56	29
Office supplies	1,250	1,250	101	1,149
Printing and publishing	3,500	3,500	1,519	1,981
Repairs and maintenance	2,500	2,500	2,048	452
Miscellaneous	<u>650</u>	<u>650</u>	<u>353</u>	<u>297</u>
Total Township Clerk	<u>43,694</u>	<u>43,694</u>	<u>37,312</u>	<u>6,382</u>
Township Treasurer:				
Salary - treasurer	28,387	28,387	28,387	-0-
Salary - deputy	18,900	8,424	4,045	4,379
Fringe benefits	85	10,561	9,939	622
Mileage	800	800	664	136
Office supplies	1,150	1,395	1,392	3
Postage	2,650	2,650	2,424	226
Tax statements	8,085	8,085	7,827	258
Repairs and maintenance	800	800	807	(7)
Miscellaneous	<u>650</u>	<u>650</u>	<u>506</u>	<u>144</u>
Total Township Treasurer	<u>61,507</u>	<u>61,752</u>	<u>55,991</u>	<u>5,761</u>
Board of Review:				
Salaries	1,000	1,280	1,279	1
Legal	200	200	129	71
Miscellaneous	<u>400</u>	<u>400</u>	<u>347</u>	<u>53</u>
Total Board of Review	<u>1,600</u>	<u>1,880</u>	<u>1,755</u>	<u>125</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Township Hall:				
Custodial wages	\$ 23,443	\$ 25,397	\$ 21,235	\$ 4,162
Fringe benefits	9,292	8,290	7,156	1,134
Utilities	3,000	6,500	6,345	155
Mileage	500	500	219	281
Supplies	2,000	2,255	2,251	4
Insurance and bonds	16,000	16,000	13,967	2,033
Repairs and maintenance	8,000	7,000	7,090	(90)
Street lights	8,500	8,090	8,088	2
Communications	2,500	2,500	2,102	398
Miscellaneous	500	500	302	198
Equipment/building	<u>5,000</u>	<u>3,000</u>	<u>-0-</u>	<u>3,000</u>
Total Township Hall	<u>78,735</u>	<u>80,032</u>	<u>68,755</u>	<u>11,277</u>
Zoning:				
Salaries	8,200	11,285	11,284	1
Legal	1,000	1,000	573	427
Professional services	25,000	22,225	9,600	12,625
Miscellaneous	<u>1,125</u>	<u>2,665</u>	<u>2,665</u>	<u>-0-</u>
Total Zoning	<u>35,325</u>	<u>37,175</u>	<u>24,122</u>	<u>13,053</u>
Total General Government	<u>462,027</u>	<u>470,941</u>	<u>375,499</u>	<u>95,442</u>
Special Assessments:				
Road projects	<u>82,768</u>	<u>84,275</u>	<u>52,825</u>	<u>31,450</u>
Total Special Assessments	<u>82,768</u>	<u>84,275</u>	<u>52,825</u>	<u>31,450</u>

TOWNSHIP OF GERRISH
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Building Administration:				
Salary	\$ 38,938	\$ 28,762	\$ 27,698	\$ 1,064
Plumbing and mechanical inspector	20,000	19,250	14,236	5,014
Electrical inspector	16,000	16,000	13,069	2,931
Building inspector	-0-	18,835	21,076	(2,241)
Fringe benefits	10,332	5,012	4,414	598
Office supplies	2,500	2,500	1,068	1,432
Mileage	3,000	3,000	1,739	1,261
Miscellaneous	1,460	1,313	890	423
Equipment	2,000	2,000	1,873	127
Total Inspectors	<u>94,230</u>	<u>96,672</u>	<u>86,063</u>	<u>10,609</u>
Recreation:				
Custodian	6,000	4,000	3,571	429
Mileage	2,000	1,900	1,173	727
Utilities	450	450	363	87
Repairs and maintenance	1,500	1,500	517	983
Building and grounds	<u>5,000</u>	<u>10,335</u>	<u>7,286</u>	<u>3,049</u>
Total Recreation	<u>14,950</u>	<u>18,185</u>	<u>12,910</u>	<u>5,275</u>
Contingency	<u>51,286</u>	<u>35,188</u>	<u>-0-</u>	<u>35,188</u>
Total Expenditures	<u>705,261</u>	<u>705,261</u>	<u>527,297</u>	<u>177,964</u>
Excess:				
Revenues over (under) expenditures	<u>(158,356)</u>	<u>(158,356)</u>	<u>45,479</u>	<u>203,835</u>
Other financing sources (uses):				
Operating transfers (out)	<u>(55,094)</u>	<u>(55,094)</u>	<u>(55,094)</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(55,094)</u>	<u>(55,094)</u>	<u>(55,094)</u>	<u>-0-</u>
Excess:				
Revenue and other financing sources over (under) expenditures and other financing uses	<u>(213,450)</u>	<u>(213,450)</u>	<u>(9,615)</u>	<u>203,835</u>
Fund Balance - April 1	<u>213,450</u>	<u>213,450</u>	<u>518,947</u>	<u>305,497</u>
Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 509,332</u>	<u>\$ 509,332</u>

TOWNSHIP OF GERRISH
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 528,056	\$ 528,056	\$ 525,687	\$ (2,369)
State	-0-	-0-	5,060	5,060
Charges for services	67,500	67,500	93,246	25,746
Interest	4,000	4,000	15,681	11,681
Other	5,060	5,060	6,449	1,389
Total Revenues	<u>604,616</u>	<u>604,616</u>	<u>646,123</u>	<u>41,507</u>
Expenditures:				
Wages	293,925	275,330	247,690	27,640
Fringe benefits	53,772	70,116	49,441	20,675
Utilities	8,918	10,393	10,389	4
Office supplies	6,210	8,960	8,107	853
Communication	3,600	3,600	2,602	998
Training & education	11,616	11,616	5,524	6,092
Insurance	33,378	33,378	31,796	1,582
Supplies	22,050	40,280	44,269	(3,989)
Repairs and maintenance	40,768	40,768	30,853	9,915
Services	13,739	15,180	12,356	2,824
Mileage	1,110	1,110	899	211
Miscellaneous	10,664	10,664	4,210	6,454
Equipment/building	444,899	423,254	295,260	127,994
Total Expenditures	<u>944,649</u>	<u>944,649</u>	<u>743,396</u>	<u>201,253</u>
Excess:				
Revenues over (under) expenditures	(340,033)	(340,033)	(97,273)	242,760
Fund Balance - April 1	<u>340,033</u>	<u>340,033</u>	<u>879,133</u>	<u>539,100</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 781,860</u>	<u>\$ 781,860</u>

TOWNSHIP OF GERRISH
POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 499,213	\$ 499,213	\$ 525,689	\$ 26,476
State	1,200	1,200	1,349	149
Charges for services	500	500	1,239	739
Interest	4,500	4,500	10,154	5,654
Other	-0-	-0-	2,102	2,102
Total Revenues	<u>505,413</u>	<u>505,413</u>	<u>540,533</u>	<u>35,120</u>
Expenditures:				
Wages	308,101	328,059	316,073	11,986
Fringe benefits	102,648	92,945	60,596	32,349
Utilities	6,000	7,115	7,094	21
Office supplies	10,000	10,000	8,279	1,721
Communication	5,000	5,000	3,388	1,612
Training & education	6,200	6,200	2,480	3,720
Insurance	24,437	24,437	22,983	1,454
Supplies	17,992	18,974	10,927	8,047
Repairs and maintenance	25,000	25,755	12,121	13,634
Services	4,825	5,525	4,169	1,356
Travel & meals	4,500	4,500	2,045	2,455
Miscellaneous	4,108	2,111	2,098	13
Equipment/building	<u>75,555</u>	<u>63,745</u>	<u>23,660</u>	<u>40,085</u>
Total Expenditures	<u>594,366</u>	<u>594,366</u>	<u>475,913</u>	<u>118,453</u>
Excess:				
Revenues over (under) expenditures	<u>(88,953)</u>	<u>(88,953)</u>	<u>64,620</u>	<u>153,573</u>
Other financing sources (uses):				
Operating transfers (out)	<u>(46,341)</u>	<u>(46,341)</u>	<u>(46,341)</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(46,341)</u>	<u>(46,341)</u>	<u>(46,341)</u>	<u>-0-</u>
Excess:				
Revenues over (under) expenditures and other financing uses	<u>(135,294)</u>	<u>(135,294)</u>	<u>18,279</u>	<u>153,573</u>
Fund Balance - April 1	<u>135,294</u>	<u>135,294</u>	<u>612,954</u>	<u>477,660</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 631,233</u>	<u>\$ 631,233</u>

TOWNSHIP OF GERRISH
SANITATION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2006

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Special Assessments	\$ 279,000	\$ 279,000	\$ 279,461	\$ 461
Interest	<u>2,000</u>	<u>2,000</u>	<u>10,498</u>	<u>8,498</u>
Total Revenues	<u>281,000</u>	<u>281,000</u>	<u>289,959</u>	<u>8,959</u>
Expenditures:				
Contracted services	257,000	257,000	244,359	12,641
Miscellaneous	5,000	5,000	2,021	2,979
Contingency	<u>184,880</u>	<u>184,880</u>	<u>-0-</u>	<u>184,880</u>
Total Expenditures	<u>446,880</u>	<u>446,880</u>	<u>246,380</u>	<u>200,500</u>
Excess:				
Revenues over (under) expenditures	(165,880)	(165,880)	43,579	209,459
Fund Balance - April 1	<u>165,880</u>	<u>165,880</u>	<u>428,994</u>	<u>263,114</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 472,573</u>	<u>\$ 472,573</u>

TOWNSHIP OF GERRISH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2006

	<u>Cemetery</u>	<u>Building Authority</u>	<u>Totals</u>
ASSETS			
Cash and investments	<u>\$ 69,441</u>	<u>\$ 235,945</u>	<u>\$ 305,386</u>
Total Assets	<u><u>\$ 69,441</u></u>	<u><u>\$ 235,945</u></u>	<u><u>\$ 305,386</u></u>
Fund Balance:			
Undesignated	<u>\$ 69,441</u>	<u>\$ 235,945</u>	<u>\$ 305,386</u>
Total Fund Equity	<u><u>\$ 69,441</u></u>	<u><u>\$ 235,945</u></u>	<u><u>\$ 305,386</u></u>

TOWNSHIP OF GERRISH
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2006

	<u>Cemetery</u>	<u>Building Authority</u>	<u>Totals</u>
Revenues:			
Fees	\$ 8,905	\$ -0-	\$ 8,905
Interest	<u>3,646</u>	<u>8,915</u>	<u>12,561</u>
Total Revenues	<u>12,551</u>	<u>8,915</u>	<u>21,466</u>
Expenditures:			
Personal service	3,811	-0-	3,811
Utilities	199	-0-	199
Repairs and maintenance	1,084	-0-	1,084
Miscellaneous	310	-0-	310
Capital outlay	18,275	-0-	18,275
Debt Service:			
Principal	-0-	15,000	15,000
Interest	<u>-0-</u>	<u>19,044</u>	<u>19,044</u>
Total Expenditures	<u>23,679</u>	<u>34,044</u>	<u>57,723</u>
Excess:			
Revenues over (under) expenditures	<u>(11,128)</u>	<u>(25,129)</u>	<u>(36,257)</u>
Other financing sources (uses):			
Operating transfers (in)	<u>-0-</u>	<u>101,435</u>	<u>101,435</u>
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>101,435</u>	<u>101,435</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other uses	(11,128)	76,306	65,178
Fund Balance - April 1	<u>80,569</u>	<u>159,639</u>	<u>240,208</u>
Fund Balance - March 31	<u><u>\$ 69,441</u></u>	<u><u>\$ 235,945</u></u>	<u><u>\$ 305,386</u></u>



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

July 31, 2006

Township Board
Gerrish Township
Roscommon County, Michigan

Dear Board:

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gerrish Township for the year ended March 31, 2006, which collectively comprise Gerrish Township's basic financial statements and have issued my report thereon dated July 31, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

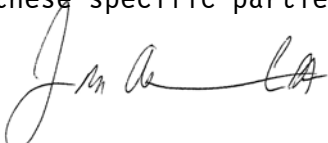
In planning and performing my audit, I considered Gerrish Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of Gerrish Township in a separate letter dated July 31, 2006.

MEMBER MACPA and AICPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gerrish Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, and the Township Board, and is not intended to be, and should not be used by anyone other than these specific parties.

A handwritten signature in dark ink, appearing to read "James M. Anderson", with a stylized flourish at the end.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

**GERRISH TOWNSHIP
REPORT TO MANAGEMENT
MARCH 31, 2006**



James M. Anderson, P.C.

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July 31, 2006

Township Board
Gerrish Township
Roscommon, MI 48653

In planning and performing my audit of the financial statements of Gerrish Township as of and for the year ended March 31, 2006, I considered the Townships accounting, operational, and internal control procedures to determine the nature and extent of my audit testing for the purpose of expressing an opinion on the financial statements of the Township and not to provide assurance on the procedures themselves.

I did however, during the course of my audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated July 31, 2006 on the financial statements of Gerrish Township.

I have already discussed these comments and suggestions with the Gerrish Township personnel, and I will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

A handwritten signature in dark blue ink, appearing to read 'JMA', with a stylized flourish at the end.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

Credit Card Policy

The credit card policy in place during the audit period did not include wording prohibiting the personal use of the cards as well as addressing areas such as spending limits and safe keeping. This allows for the possibility of misuse of the cards. Subsequent to the year end, the board adopted an updated policy which addresses each of these areas.

Receipts

During the year new general receipts were purchased for the Treasurer's office. However, the receipts are not pre-numbered. I recommend receipts be purchased which are pre-numbered and have the township's name and address included. It is my understanding that the Treasurer is in the process of purchasing new receipts as of the date of this report.